



02 DEC, 2025

Tenaga clears major tax overhang with government's nod of reinvestment allowance analysts

The Edge CEO Morning Brief, Malaysia



KUALA LUMPUR (Dec 1): Tenaga Nasional Bhd (KL: TENAGA) has removed a long-standing regulatory and tax overhang, following the Ministry of Finance's approval of its reinvestment allowance (RIA) application, said analysts.

This decision ends years of uncertainty surrounding the utility giant's tax position, which had been a key investor concern, they said.

"We view this resolution positively, as it removes a major overhang and provides clarity on Tenaga's tax position, helping to reduce future cash tax burden."

"We believe the market is overlooking the recurring earnings uplift from Regulatory Period 4 (RP4)'s capex expansion alongside," said CGS International in a note on Monday.

"This tax case closure, impending finalisation of the contingent capex remuneration mechanism, and GenCo's bids in new gas/RE (renewable energy) tenders, could catalyse a re-rating," it added.

The resolution follows a Federal Court ruling that had previously forced Tenaga Nasional to reassess its historical RIA claims, creating a period of financial ambiguity.

The government's approval now draws a line under this contentious issue, allowing the market to refocus on the company's operational outlook and investment strategy.

Separately, PublicInvest Research said the recent MOF approval restores tax clarity and reduces structural tax risk by allowing future qualifying capex to be deducted against income.

"While this reassessment resulted in a one-off prior-year tax provision of RM10,558.4 million on retained profit

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in balance sheet item, the decision establishes a clear and consistent tax position for subsequent years," it added.

Meanwhile, Tenaga Nasional reported a 3QFY2025 core net profit of about RM933 million for the three months ended Sept 30, 2025, up 5.8% quarter-on-quarter, mainly driven by electricity sales and a robust commercial load.

However, CGS noted that cumulative nine-month earnings came in slightly below expectations, due to higher operating expenses.

Operationally, electricity demand continued to improve in 3QFY2025. Analysts said the stronger demand, together with the new tariff schedule, resulted in only minimal Other Regulatory Adjustments (ORA) during the quarter.

Year-on-year (y-o-y), commercial consumption rose 9.8% despite the soft industrial segment, while the industrial segment contracted 3.6% y-o-y. Capex momentum also stayed strong, with regulated expenditure rising sharply year to date.

As of Monday, CGS and PublicInvest Research both maintained their rating calls for 'buy' and 'outperform' on the stock, with a target price of RM18 and RM16 respectively.

The counter has another four 'buy' calls from analysts, with target prices ranging from RM14.50 to RM16.80.

Tenaga Nasional's shares were 28 sen or 2.1% higher at RM13.46 at the time of writing on Monday, valuing the group at RM78.5 billion.



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